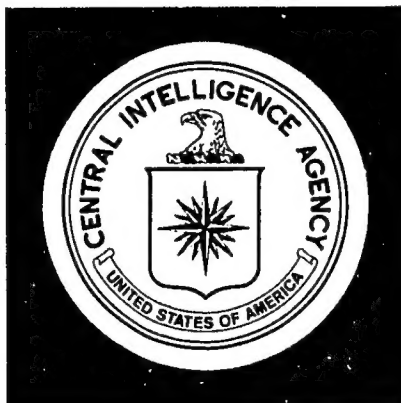


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Weekly Summary

Special Report

Neighbors With Different Perspectives

Secret

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MALAYSIA-SINGAPORE

NEIGHBORS WITH DIFFERENT PERSPECTIVES

Summary

In the eight years since Singapore was expelled from the Federation of Malaysia, relations between the two states have resembled more a running feud than a diplomatic dialogue. The severing of many of the formal economic ties binding the two countries during the past year will go far toward ending the excessive intimacy of the past, even though a large measure of informal economic interdependence will persist. Many people in both countries view this as a healthy development, but a bedrock of mistrust persists, based largely on racial antagonism between an ethnically Chinese Singapore and a Malay-dominated Malaysia.

This political fact of life is primarily responsible for the many divergencies on regional issues and defense policies. Although Singapore and Malaysia are nominal allies in the Five Power Defense Arrangement with the UK, Australia, and New Zealand, each regards the other as the greatest threat to its own national security. Singapore is reluctant to see an end to a Western military presence in the region, believing it serves as a counterweight to the relative power of its ethnic Malay neighbors, Malaysia and Indonesia. Malaysia, by contrast, is committed to the neutralization of Southeast Asia. Singapore is also disturbed over Kuala Lumpur's interest in recognizing Peking, believing that a Chinese diplomatic presence on the Malaysian Peninsula will increase Singapore's vulnerability to Communist subversion. For its part, Malaysia resents Singapore's lack of support for recognition of the Strait of Malacca as an internal waterway.

Such conflicting political outlooks ensure that any improvement in bilateral relations will be gradual and fragile. But as long as racial antagonism—either within Malaysia and Singapore or in the region at large—can be contained, there will be a good chance that a more mature relationship will develop. The alternative is a revival of tit-for-tat bickering which in the future could take a highly destructive form, a gloomy prospect that in itself offers a compelling reason for both sides to get along.

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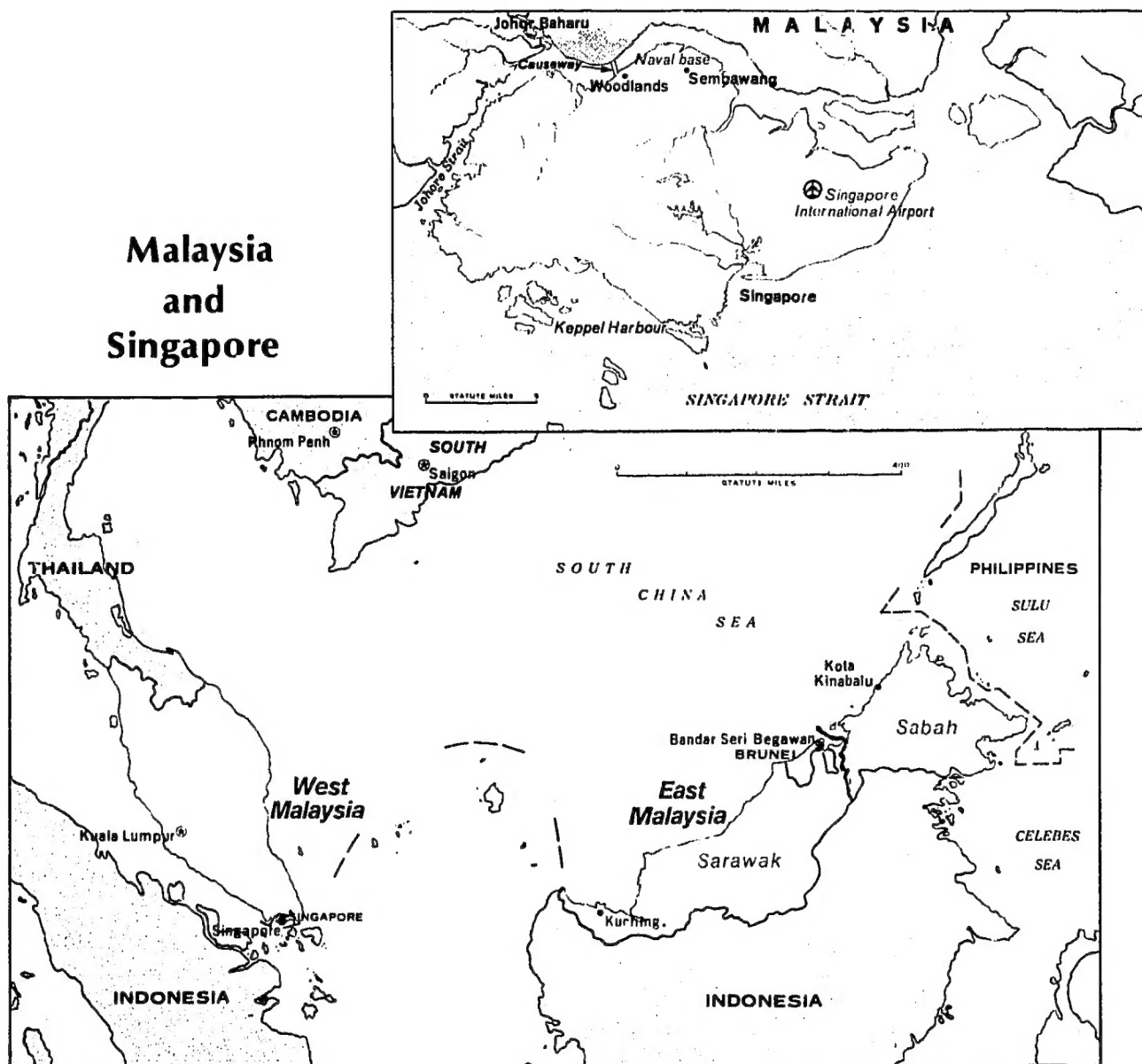
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Malaysia and Singapore



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SECRET**Mutual Self-Doubts**

The distrust and disharmony that mars the Singapore-Malaysian relationship stems basically from racial antagonisms. It has been fed by the intimacy and interdependence of the past and the relative insecurity of both governments. Although Lee Kuan Yew's Peoples Action Party exercises tight one-party control in Singapore and Malaysia's government "consensus" is imposed from the top, neither government is self-confident enough to tolerate serious criticism or opposition, either internally or externally.

Despite Lee Kuan Yew's occasional championing of the "domino theory," fear of Communist subversion is not a root cause of this insecurity. The once-powerful Communist movement in Singapore is virtually moribund. The Communist terrorists in Malaysia (no more than 3,000 altogether) are generally isolated in remote areas (mainly in the jungles of the Thai-Malaysian border region and of Sarawak).

In this part of the world, fear of racial conflict is the central fact of political life, and it is



Prime Minister Lee Kuan Yew

most acute in Malaysia where Malaysians are not even a majority in their own Malay land. This racial uneasiness affects almost all other aspects of relations between the two states.

Severing Economic Ties

In many instances, bad feelings have been caused not only by policy decisions but by the way decisions are translated into action. This was true of a series of steps that Kuala Lumpur took last spring to sever many of the economic ties binding the two countries. Abruptly and with little consultation, Malaysia ended the interchangeability of the currencies of the two countries, split their formerly joint stock markets and rubber exchanges, and erected other barriers between the closely interwoven economies.

For a time these "shocks" tempted Singapore to overreact and engage in a new round of the bickering that has almost always characterized Singaporean-Malaysian relations. In the stock market and currency action last May, the Singapore Government was most upset because Kuala Lumpur gave it only 30 minutes advance warning.

Singapore quickly began to relax, however, when it became obvious that Malaysia's actions did not pose a direct, critical threat to Singapore's economy and that established patterns of trade would be altered only gradually. Despite the split in the rubber market, for example, 55 percent of Malaysia's rubber production continues to be re-exported through Singapore, and it will take time to reduce this ratio substantially. Similarly, it will also take time to alter the existing pattern whereby more than 88 percent of Malaysian pepper is exported from Sarawak via Singapore.

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Some Malaysian moves to reduce Singapore's middleman role in Malaysia's trade have been more damaging economically to Malaysia than to Singapore, forcing merchants, manufacturers and shippers in the southern part of the peninsula into a variety of uneconomic practices. Malaysia is taking steps, however, to reduce the adverse economic impact. Malaysia, for example, is building a port, with timber processing and other industrial facilities, on the northern coast of the Strait of Johore and is constructing a new airport in southern Johore. A major shipyard is also being planned for the strait.

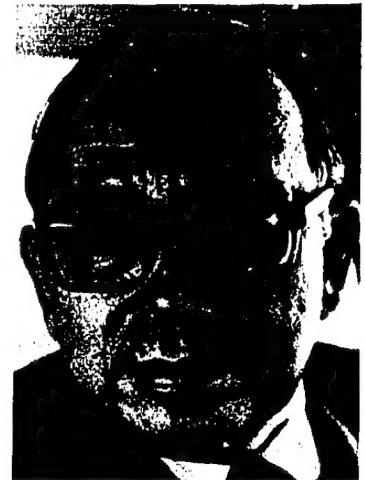
Almost all of these changes are the result of Malaysia's efforts to reduce its economic dependence on Singapore. Kuala Lumpur rightfully views the interdependence that has long existed between the two economies as a carryover from the British colonial system and, as such, not necessarily to Malaysia's advantage, although Malaysia has benefited from a variety of Singapore services.

Accepting the New Relationship

Some of Malaysia's actions, of course, have adversely affected certain economic interests in Singapore. A number of individual Singaporeans stand to lose money as a result of some of these changes. Nonetheless, if these measures add to Malaysian economic self-confidence, they will have the effect of easing one of the major irritants in Malaysian-Singaporean relations. The feeling is now growing on both sides that the recent severing of many of the ties that have bound the two countries economically is a necessary and healthy development that had to come sometime—perhaps better now than later.

The growing desire of both governments to put their sometimes testy relationship on a more businesslike basis appears to have been advanced by the two-day visit of Malaysian Prime Minister Razak to Singapore in November. Official statements and press commentary on the visit reflect a belief on both sides that differences should not be allowed to obscure basic common interests, and each now seems more comfortable over the future prospect of an even greater degree of independ-

ence and separate-ness. Lee and Razak apparently had a frank but easy exchange of ideas. Racial differences and differences in style of leadership will keep some distance in the relationship between their countries, but the greater disposition of the two leaders to address basic issues may improve coordination at the working level.



Prime Minister Razak

Remaining Interdependence

There are obvious limits to the extent to which a reduction of the economic interdependence between Malaysia and Singapore is desirable at this time: Singapore's \$50 million investment in Malaysia, mainly in southern Johore, cannot be easily erased. Neither can Singapore's dependence on at least 120,000 Malaysian day workers. For its part, Malaysia could not provide alternative employment to the workers. Malaysia's major naval base is on the northern coast of Singapore Island, and alternate facilities are not available on the Malaysian side of the strait.

Long-standing patterns of trade cannot be altered quickly without damage to both countries, and Singapore's dependence on Johore for 75-80 percent of its daily water supply is potentially the most explosive issue dividing the two countries. Singapore is expanding its existing reservoir facilities on Singapore Island in order to reduce its dependence on Johore. Even with the completion of the new facilities, however, Singapore's continually expanding daily requirements will increase its dependence on sources on the Malaysian side of the causeway. 25X1

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Diverging Foreign Policies

Regionalism The foreign policies of Malaysia and Singapore diverge sharply as a consequence of these fundamentally different military outlooks and differences on economic issues. Differing views on regional topics tend to divide the two even further. Malaysia is a more enthusiastic advocate of regionalism than is the more independent-minded Singapore. Kuala Lumpur places considerable value on its membership in the Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Singapore, and

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Thailand—an organization that dates back to 1967 and was the first serious attempt at cooperation in the region. Conceived as a point of contact between neighbors of diverse outlooks, its deliberations were for some years purposely limited to non-controversial topics. Its development into a serious forum for consideration of regional problems has been slow and halting, but as the members became more at ease in working with one another, it tackled political subjects and has become an important forum for discussing foreign affairs. Malaysia sees it as a handy vehicle for promoting its pet foreign policy project, the creation of a Southeast Asian neutral zone. Singapore, although it actively participates, does so only to accommodate the other four members in the organization.

Despite their differing views on the importance of ASEAN, both Singapore and Malaysia agree that it is a sufficiently ambitious effort at regional cooperation for the present. Both have made clear their disinterest in the kind of broad forum encompassing all the nations of East Asia pushed by Australian Prime Minister Whitlam.

Neutralization Malaysia and Singapore are also at odds over the practicality of Kuala Lumpur's neutralization scheme. Malaysia has been vaguely advocating the neutralization of Southeast Asia for the past six years without ever clearly laying out specific objectives. Malaysia calls, for example, for Great Power guarantees, but has never approached the major countries on the subject. Kuala Lumpur glosses over such knotty problems as the proposal's compatibility with the US military presence in two ASEAN member states—Thailand and the Philippines—as well as its own participation in the Five Power Defense Arrangement. The other ASEAN members have unenthusiastically endorsed neutralization as a distant objective, but have resisted any joint efforts to make it an early reality. This lack of enthusiasm has caused Malaysia to ease up on its campaign in the past year.

Even though it accepts its colleagues' reservations, Kuala Lumpur is nettled by what it sees as Lee Kuan Yew's unnecessary sarcasm in expressing contempt for the concept. At the Com-

monwealth heads of state conference in Ottawa last August, Lee declared that ASEAN members were "whistling in the dark" and creating a "Shangri-La in their minds" if they think that the major powers are about to guarantee Southeast Asian neutralization.

Big Power Presence The two countries' differing attitudes toward regional cooperation and neutralization are reflected in the variance in their views toward a Great Power presence in Southeast Asia. Singapore, as an extremely small, predominantly Chinese country that long relied on British protection against the Malay majority in the region, sees a continuing Great Power involvement in Southeast Asia as a counterweight to the relative power of its Malay neighbors. Malaysia's visions of a Southeast Asia free of Great Power rivalries, on the other hand, reflects its belief that it has little need of protection from its neighbors. The Razak government in Kuala Lumpur, while basically pro-West, prefers to keep all the major powers at arm's length. The Lee government would like to develop a closer relationship with the US.

The US connection is becoming increasingly evident in Singapore. American investment has grown to 45 percent of all foreign investment and is approaching a total of about \$500 million.

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The Prime Minister is an outspoken advocate of a continuing US military presence in Southeast Asia, a reflection of his inclination to draw the US into the kind of protector role that the British formerly performed.

Soviet Presence Although they differ on the desirability of a continuing Western Great Power

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presence in the area, neither Lee nor the Razak government wants the Soviet Union to play a major role in Southeast Asia. Razak is wary of the potential threat of Soviet subversion but is interested in Soviet and East European technical and economic assistance. Kuala Lumpur is also looking into the possibility of buying military equipment from the Soviets and the Yugoslavs, in part to avoid exclusive dependence on the West. The Malaysians know that support of the major military powers (the US, China, and USSR) will be necessary if their neutralization scheme is to be realized.

Singapore, for its part, welcomes Soviet commercial vessels and occasional naval auxiliaries at the government-owned Keppel shipyard—a policy calculated more to make money and to maintain some semblance of a nonaligned image than to maintain a truly even-handed policy toward the super powers.

The China Question Relations with China are a sensitive issue for both Malaysia and Singapore because of their large ethnic Chinese population. Indeed, Peking's refusal to disavow all ties to the Overseas Chinese in Malaysia has been the main stumbling bloc in negotiations over recognition that have been going on for months between Peking and Kuala Lumpur. Some compromise on both sides, however, plus Kuala Lumpur's eagerness to establish contacts with Peking, may result in recognition this spring. The prospect of Malaysian recognition has put some pressure on a reluctant Singapore to follow suit. But Singapore continues to develop close ties with the Nationalist Government on Taiwan, welcoming Taiwanese ship visits in exchange for Taiwanese military assistance in the form of pilots, aircraft mechanics, and artillery training facilities—the kind of action most apt to alienate Peking.

Strait of Malacca On another regional issue, Singapore and Malaysia differ sharply over the desirability of recognizing the Strait of Malacca as an internal waterway. The strait is less than 24 miles wide at two points and comes within the 12-mile territorial limits claimed by Jakarta and Kuala Lumpur. Both have pressed for international ac-

ceptance of their claim to at least some control over international shipping through the strait. For its part, Singapore, because of its status as a major port and because of its dependence on the entrepot trade, sides with the major naval and economic powers in advocating unhindered free transit through the strait. The issue has been downplayed by both sides for the past year, but it will be raised at the Law of the Sea Conference in 1974.

Other Area Relations Both governments agree on the importance of building closer ties with Indonesia. Singapore does so largely for economic reasons. Malaysia, with deeper, more lasting links of blood culture, has more permanent connections. Malaysia and Indonesia are already cooperating—in joint military patrols of the Malacca Strait, in countering the communist terrorists in Sarawak, and in planning for common air defense.

Singapore pays more attention to improving ties with the non-Malay ASEAN states, Thailand and the Philippines. It has arranged for guerrilla training in Thailand for its elite special forces and has tried to sell its fast patrol boats to Bangkok and Manila. Singapore's gestures toward Bangkok and Manila are in part attempts to offset Indonesian/Malaysian strength within ASEAN and, as such, arouse some Malaysian suspicion.

Middle East Complications Middle East tensions have put some strain on the foreign policies of both governments. Singapore's close ties with Israel have been a liability in the current world scramble for oil. Singapore's refineries—upon which its ship bunkering services are dependent—obtain the bulk of their crude oil from the Persian Gulf. In view of this, the government has reluctantly joined its ASEAN partners in deploring Israeli occupation of Arab territory. The Razak government, on the other hand, has spoken out forthrightly in support of the Arab cause, both out of conviction and because politically Razak cannot afford to lose the support of his substantial Muslim constituency on the emotional and potentially volatile issue.

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Prospects

So long as racial antagonism between Malaysia and Singapore—or in the region at large—can be kept to a minimum, it should be possible for relations between the two states to improve. There will obviously continue to be many issues and problems on which their interests will conflict, but—with give-and-take on each side—compromises can be reached and workable solutions found. The alternative to amicable relations would be more damaging and far-reaching in the

future than it has been in the past. If Singapore continues to build up its military strength, Malaysia may feel compelled to follow suit, perhaps looking increasingly to the Soviet Union and other East European states for sophisticated weaponry. The revival of any tit-for-tat bickering between a better armed Malaysia and a militant Singapore could be highly destructive, and this specter alone provides the most compelling reason for both sides to make a determined effort to get along.

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